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Russian Railway

Enterprise

1857





OBSERVATIONS

ON THE

OBJECTS AND PROSPECTS

OF THE

RUSSIAN RAILWAY ENTERPRISE;

AND ON ITS QUALITIES AS A CHANNEL OF PECUNIARY INVESTMENT.

BY PLAIN TRUTH.

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"We have no hostility to Russia now, and we remember our former friendship with her. . . . The present Emperor has already won the esteem and regard of Europe. He has shown by his recent conduct great moral courage, humanity, and a just estimate of the interests of his people. A great career of usefulness is before him, and I trust he will steadily pursue that course which he seems determined to take. And if so, he will obtain a glorious reward in the improvement and happiness of his country, and in the love and admiration of all Europe."—Lord **CHAMBERLAIN** in the House of Lords, May, 1856.

"My belief is, that the present Emperor of Russia is a man of kind and benevolent feelings, not inspired by ambition of conquests, or, at least, that the conquests at which he aims are conquests over indolence, undeveloped natural resources, and all those difficulties which prevent the progressive improvement of a nation. My hope is that he will turn the great power which he possesses to the promotion of the internal prosperity of his empire. . . . If, therefore, the Emperor of Russia should devote his energies to the development of the natural resources of his country, to the cultivation of those vast plains which are now arid and barren, and to the connection of distant parts of his empire by the modern improvement of railways, he will increase the probabilities of peace."—Lord **PALMERSTON** in the House of Commons, May, 1856.

"I hope that Russia may henceforth present a spectacle which the rest of Europe may contemplate not only without jealousy and mistrust, but with sympathy and satisfaction; the spectacle of a great empire under the guidance of a strong and able hand, repairing the ravages of war by the arts of peace. . . . It is perfectly true, and a truism, that the real sinews of war are wealth, science, and civilization; but it is as true that the cultivation of all or any of these interests has pacific and corrective tendencies."—The late Earl of **ELLMERSHIRE** in the House of Lords, May, 1856.

"We believe that the new Emperor and his councillors have reflected on the disasters of the State; that they have recognised how unpopular it is for an empire in this age to trample on the rights of any European community. . . . He (the Emperor) may look on these peaceful works [the development of agriculture, the birth of manufactures, the working of mines, the construction of railroads, canals, and telegraphs] as the surest basis of military power. But in this the natural course of things will disappoint him. By giving his subjects these appliances of domestic progress he will destroy the warlike instincts of a barbarous race. The more he labours to make his country rich and powerful, the more unwillingness will he find in the people to use their wealth and acquisitions for the purpose of aggression. Whether it be the result of the Czar's principles or his policy, we shall rejoice to see in his empire the increase of natural enterprise and internal commerce, that, whatever be the motives, the result will be for the happiness of Russia and the tranquillity of Europe."—The **TIMES**, April 11, 1856.

London:

T. F. A. DAY, 13, CAREY STREET, LINCOLN'S INN.

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PRELIMINARY MEMORANDUM.

[In order to simplify the perusal of the following Essay, and to prepare the mind of the reader for the appreciation of points which are sometimes only cursorily glanced at, I have thought it advisable to preface it with a summary of the fundamental conditions of the Concession, and a sketch of the territories to be traversed by the lines.]

FUNDAMENTAL CONDITIONS OF THE GRANT.

(Abridged from the Official Statement.)

By an ukase dated January 26th (Feb. 7), 1857, his Majesty the Emperor of Russia has granted to the Company constituted under the title of the Grand Russian Railway Company, a network of railways having a total development of about 2,585 miles (3,900 versts) and composed of the following lines:—

- 1.—The railway from St. Petersburg to Warsaw.
- 2.—The branch to be opened between this line and the Prussian frontier towards Königsberg.
- 3.—The line from Koursk or Orel to Libau.
- 4.—The line from Moscow to Theodosia (Kaffa).
- 5.—The line from Moscow to Nijni-Novgorod.

By the clauses of the deed of co-cession, a term of ten years is granted to the Company for the execution of the works, and for bringing into operation these lines of railway, during which period the Company will have the advantage of those portions of the line opened for traffic from time to time. It is from the expiration of these ten years that the term of the concession commences, and it is fixed at 85 years, so that the Company will have possession of the entire group during a period of 95 years.

The Government guarantees to the Company, during the whole period of the concession, a minimum interest of 5 per cent.* on the capital estimated for the execution and working of the lines.†

This expenditure, settled beforehand by the Russian Government with liberal equity, has been estimated by it in conjunction with the Company on a scale to protect the latter against any oversight or casualty. The estimates are set forth in the grant, and include not only the sums to be employed in the actual construction, but also those which the Company will have to pay to the shareholders for interest on the amounts called up during the execution of the work.

Finally, the group has been divided into sections, on each of which the guarantee commences from the day when the particular section is opened for traffic.

Thus, contrary to the usual custom, particularly in France, where the State guarantee does not come into operation until the whole of the works are completed, and is in force for a term of fifty years only, the guarantee stipulated in favour of the Company is successive, and is in force during the period appropriated to the construction of the lines. This deviation from precedent is in consideration of the importance of the undertaking, and of the long term assigned for the works.

During that term, the Company is exempt from all customs or other dues on the rails and accessories of the line—on the locomotives, tenders, carriages, and generally on all articles whatsoever necessary for the first establishment of a railway, and the installation of the appliances for traffic.

Works to the value of £3,880,000, already executed on the St. Petersburg and Warsaw line, are given over to the Company, which is only bound to reimburse that sum to the State by dividing with it the profits beyond Five per cent. realised on that line; and no such deduction or division is to be made with regard to the other lines.

These, then, are the fundamental conditions of the agreement between the Russian Government and the Company:—

- 1.—Entire possession of the group of railways, or, in case of repurchase, an annuity—equal to the average revenue derived from them—during a period of 90 years.‡
- 2.—A guarantee during the whole term of the concession—the period of construction included—of a minimum interest of Five per cent.
- 3.—Exemption from all customs or other duties on the articles requisite for the construction and establishment of the railways.

* Less 1-12th (1s. 8d.) per cent. for the creation of a sinking fund.

† The capital of the Company is fixed at £44,000,000 sterling.

‡ The annuity to be, under no circumstances, lower than at the rate of Five per cent. on the whole capital agreed on.

- 4.—Rates of carriage limited to cost price for the transport of those articles by St. Petersburg and Moscow Railway.
- 5.—Grant of the works already executed on the St. Petersburg and Warsaw line.
- 6.—Gift of all unoccupied lands belonging to the Crown.

PROTECTION FROM COMPETITION (Clause 11).

During the term fixed by Clause 3 for the construction of the network, and during the following ten years, no competing lines shall be established going from any point of the network conceded, and capable of supplying another point of the same network except in the event of serious political or commercial requirements admitted and verified by the Government.

In such case the concession of the new lines shall be granted to the Company preferentially, on equal terms.

TERRITORIES TO BE TRAVERSED.

The group of railways conceded to the Company is shown in the map, and in what will be observed a division indicated on most of the industrial and agricultural maps of Russia, showing that the territory through which these new roads will pass is divided into four regions; the region of forests, that of manufactures, that of grain, and that of the steppes or pasture land. This division demonstrates a great irregularity in the distribution of produce throughout the Empire. It was necessary to lay that fact in mind in laying down the principal arteries of a vast network of railways in Russia.

The north, the region of forests, produces neither grain nor meat enough for local consumption. The governments of St. Petersburg, Novgorod, Pskoff, Vitebsk, Wilna, and several others, do not obtain, even with laborious culture, sufficient for their subsistence. The habitual deficit is supplied by the southern governments so far as the disposable means of transport permit.

The region of manufactures, especially the governments of Kalouga, Tver, Moscow and Vladimir, which do not produce sufficient grain for the wants of their inhabitants, draw also from the southern provinces a large proportion of the corn which they consume. This region also receives from the south meat and salt, and an enormous quantity of raw material, in the form of wool, flax, oil, hides, &c. In return it sends to the south, in considerable quantities, articles both of Russian and foreign manufacture, and of foreign produce introduced to the centre of the empire by the Dwina, Niemen, and the Vistula. Moscow, the industrial and commercial capital of Russia, is not only the residence of the great capitalists, but also the most considerable centre of manufactures in the Empire, and the general dépôt of the principal objects of international commerce, of raw material, and of articles of consumption destined for the foreign trade.

In the agricultural region, in the zone of the "black earth," of which the governments of Koursk, Orel, Pultawa, Kharkoff, and Voroneje occupy the centre, products of the soil, thanks to the remarkable fertility, accompanied by an exceptional climate, are always in excess of the wants of local consumption. These wants are largely supplied, have, even after indifferent harvests, a surplus available for distribution through other parts of the empire, or for exportation. A considerable reserve of corn is always to be found there, which, especially after an abundant harvest, tends to keep prices low, and is wasted, often by pure neglect, to an extent which, in periods of abundance, may be reckoned at hundreds of thousands of quarters.

Finally, the region of the steppes relies chiefly on growth of cattle, and on production of wool and tallow, which is connected with it. It is, moreover, in this region that a large proportion of the salt consumed in Russia is produced; and great quantities of provisions are annually cured on the shores of the Sea of Azoff, which are distributed through the north of the empire. . . . A special interest attaches to this region. On the Don and its affluent, the Donetz, considerable deposits of anthracite and coal are found, the working of which is scarcely commenced, and the deficiency of the means of transport, and which must play an important part in the industrial future of Russia. . . . The Crimea also, through which the southern line passes, produces fruit and wine, which are consumed in the north, and the production of which will be rapidly developed by the establishment of railways.

This simple sketch will show the mutual dependence of various parts of the empire, and the imperative necessity of long and difficult transport before the population of the north can receive the articles of primary necessity they require, and which abound in the south.

OBSERVATIONS, &c.

CHAPTER I.

Notes on Newspaper Criticism—Russia and England—Quotations from the Opinions of British Statesmen—Plain Statement of Objects and Principles.

THE power of the Newspaper Press in this country has been described in admiring and scarcely exaggerated terms by many an eloquent tongue and pen. Its influence for good is certainly marvellous; its influence for evil, when swayed by error or partisan zealotry, is happily not so great, yet enough so to render necessary a caveat, in the way of protest and explanation, when mis-statements—arising, it is to be hoped, rather from ignorance than from any more reprehensible cause—are promulgated with a pertinacity which threatens to create false impressions on subjects of importance.

A case forcibly illustrative of this remark is furnished by the comments which have appeared in certain journals, in reference to the magnificent project for imparting the benefits of Railway accommodation to the most wealthy, populous, and productive districts of the Russian dominions. Without by any means imputing to the whole body of the press blame for the proceedings of a section of the members of that important “estate,” it may be remarked that some of the strictures published when the matter was first mooted, and before the writers could have had any definite knowledge of the conditions and principles on which the enterprise was to be brought forward, significantly indicated the disposition which, since such particulars have been made public, has impelled these gentlemen to mystify, misrepresent, and absolutely falsify, with a courage which, to use a trite saying, would have been quite admirable had it been displayed in a better cause. The moment the subject was broached, there arose a chorus of declamatory denunciation, the burthen of which was Muscovite craft, Muscovite faithlessness, and so on, coupled with appeals to the people of England whether they would advance *their money* for the aggrandisement of a barbarous power

which had so lately been at war with us, which was virulently hostile to us, and which, either from financial disability or deliberate dishonesty, would soon be found playing the part of a defaulter.

Now, no long time has elapsed since any kind of talk, however vague and vapid, respecting the bad qualities of the Russian Government and people, was pretty sure to find a rather extensive and concurrent audience. It was natural that this should be so. We were at war with Russia, and history might be ransacked in vain for an instance in which, when at war with any country, be it with Frenchmen, or Dutchmen, or Spaniards, or even with our blood-relations in America, a pardonable exuberance of patriotism did not incline us to listen, without very stringent criticism, to assurances that all the faults and vices which attest human fallibility were predicable of our foes for the time being. There was no lack of this prejudice pending our quarrel with Russia, and it was not wholly without good effect, for it nerved the people of England with that intense conviction of right on their side, and of wrong on the side of their antagonist, which is essential to cheerfulness and fortitude in bearing war's burthens, and pushing war itself to a satisfactory issue.

But the return of peace might, to persons of candour and good sense, have suggested the propriety of resuming a more moderate tone—nay, it might have reminded them that feelings of contemptuous hatred were not those which for three centuries we had been accustomed to entertain for Russia, or which Russia had ever manifested for us; that very opposite were the sentiments reciprocated when, in the throes and convulsions of the most mighty struggle in European annals—of the Titanic contest when all was in the balance of events—Russia was the most respected, as she approved herself the most potential, of our allies.

And it might have been further remembered—supposing candour and good sense in the commentators—that, looking to the actual financial antecedents of Governments, that of Russia was, after our own, about the last in the world fairly amenable to suspicion with respect to the fulfilment of its engagements. It is one of the very few Governments which, in all crises and emergencies, under every pressure of embarrassment and exigency, have kept their word—have preserved the traditions of the classic *prisca fides*. It might, in fact, have occurred to the critics in question, that a Government which, in adverse circumstances, had so honourably acquitted itself, would be scarcely likely, when in the enjoyment of the prosperity which they have themselves insisted would be secured by the cultivation of the arts of peace and the development of industrial and productive resources—that such a Government would be scarcely likely to

select, as the victims of a first and only departure from financial probity, the very individuals through whose co-operation the advantages referred to had been obtained.

I do not doubt that, though some of our journalists have become unaccountably oblivious of these considerations, the manful good sense of intelligent thinkers, once fairly awakened to a perception of the substantial merits of the case, will keep them in memory. I believe that Englishmen will practically repudiate sympathy with the real (or affected) fanaticism—with the senseless (or sordid) bigotry, which would inflame malignant passions, and make a temporary quarrel the source of perpetual ill-will between great nations whose interests are closely interwoven in many points, and identical in some. I believe that they will reject the logic which, after abusing the Russian Government for its alleged neglect of social and physical improvements and exclusive devotion to military subjects, turns round incontinently, and assails that Government not less vehemently because it does address itself vigorously to the work of improvement. I believe that they will appreciate the spotless faithfulness which Russia has ever maintained in all things relating to the observance of her obligations in monetary matters;—that they will place confidence in a gage which has never been broken or even compromised; that they will not even momentarily doubt the stability of the minimum guarantee offered to them; and that their solicitude will be mainly directed to the amount of the further advantages likely to arise from the investment. And I am profoundly persuaded that when they perfectly understand the reality and vastness of the wealth-springs on which the profits are calculated—when they comprehend the immense capacities of lucrative development by which profit revenue must be indefinitely increased—that, when these facts are brought fairly before them, they will recognise, not only the wisdom of the policy which conceived the plans of railway extension in Russia, but the propriety of introducing these plans to the notice of Englishmen, and of inviting British support to them as a channel of investment at once lucrative and secure. And when it is found that the parties who occupy themselves in depreciating the undertaking, do not merely indulge in cloudy generalisms, but go the length of positive falsification of the very terms of the conditions, my conviction is that such unworthy artifices will recoil on their concoctors, and tend to stimulate, where they were intended to repel, public confidence and support.

One of the favourite stalking-horses of the writers who have been endeavouring to propagate the Russo-phobia delusion is, that the *Russian Government* wishes for railways, not for peaceful and com-

mercial purposes, but that its chief motive in encouraging them is connected with schemes of aggression and conquest. Now, it is certain that everything which makes a country more productive, more wealthy, more industrious—and facility of communication is about the most important auxiliary to such results—tends to increase her offensive and defensive energies. But a glance at the map of Russia, and a perusal of the contents of this Essay, will manifest to any one of fair intelligence how preponderant an influence industrial objects must have had in the minds of those by whom this system of railways was planned. The routes are evidently selected with a paramount, if not exclusive, view to the requirements of commerce and industry. It is pleasant, too, to know that the bugbear alarm attempted to be raised finds abundant refutation in the declarations of many of the most eminent of our own public men, and that the Government of the Emperor, in proposing to give to Russia the benefits of locomotive conveyance, is acting in accordance with the counsel tendered by English statesmen, as embracing the policy most conducive to the happiness of his subjects, and to peaceful and friendly relations with other countries. *Exempli gratia*, I will repeat from the title-page an instance or two out of numbers which might be referred to. In May, 1856, the Prime Minister said, in the debate on the Peace Address:—

"My belief is, that the present Emperor of Russia is a man of kind and benevolent feelings, not inspired by ambition of conquests, or, at least, that the conquests at which he aims are conquests over indolence, undeveloped natural resources, and all those difficulties which prevent the progressive improvement of a nation. My hope is, that he will turn the great power which he possesses to the promotion of the internal prosperity of his empire. That is a task with which the noblest mind might be contented. It is said that if the resources of Russia are developed, she will only be more able to continue acts of aggression. I think that is a mistake. In proportion as nations become prosperous, in the same proportion they value the wealth and comforts which their exertions have procured for them, become wedded to the arts and pursuits of peace, and are weaned from the occupations and projects of war. If, therefore, the Emperor of Russia should devote his energies to the development of the natural resources of his country—to the cultivation of those vast plains which are now arid and barren,* and to the connection of distant parts of his empire by the modern improvement of railways—he will increase the probabilities of peace."

The especial mention of railways as the indispensable agents in the work of salutary development will not be overlooked. In the Hou

* It is substantially true that many districts of great natural fertility have, through neglect consequent upon the distance from markets, been for ages "barren" of a beneficial result proportioned to their fructiferous qualities.

of Peers, Lord Glenelg, seconding the Address on the Treaty of Peace, thus alluded to Russia and her sovereign :—

“ We have no hostility to Russia now, and we remember our former friendship with that country. We lament that it was interrupted by a warfare which, however, is now ended, and we will endeavour, in good faith, to bind up the wounds we have inflicted. I trust and hope that Russia, remaining a great power, will enhance her greatness, and fill the position to which she is entitled. The present Emperor of Russia has already won the esteem and regard of Europe. He has shown by his recent conduct great moral courage, humanity, and a just estimate of the interests of his people. A great career of usefulness is before him, and I trust he will steadily pursue that course which he seems determined to take; and if so, he will obtain a glorious reward in the improvement and happiness of his country, and in the love and admiration of all Europe.”

It is such language as this, and not the ravings of irresponsible caterers for unwholesome prejudice, that represents the sentiments which, in the issue of events, will be found to actuate the intelligent classes of Great Britain and Ireland. We do *not* regard with jealousy and dislike all measures conducive to the welfare of Russia, and to the improvement and elevation of the condition of her people; we do *not* entertain implacable enmity towards her; and no amount of blatant bluster will succeed in persuading us that we nourish any such feelings, which are wholly opposed to our real impulses and convictions. On this point, the late Earl of Ellesmere expressed himself with characteristic discretion and generosity:—

“ I hail in that sovereign (the Emperor of Russia) the indications of strong will and sound decision, which have contributed essentially to the pacification of Europe, and give fair promise of the continuance of tranquillity. I hope that Russia may henceforth present a spectacle which the rest of Europe may contemplate, not only without jealousy and mistrust, but with sympathy and satisfaction—the spectacle of a great empire, under the guidance of a strong and able hand, repairing the ravages of war by the arts of peace.

“ It is perfectly true, and a truism, that the real sinews of war are wealth, science, and civilisation; but it is as true that the cultivation of all or any of these interests has pacific and corrective tendencies; and if we are to act, either as individuals or as nations, on the view that every depository of power is to make the worst possible use of it, the world would be less fit to live in than it now is, with all its imperfections.”

This is the tone, not only of philanthropy, but of genuine, whole-minded patriotism. Here, in England, we should derive substantial benefit from the development in Russia of the processes of cultivation and transit. Lord Ellesmere, like the Prime Minister, referred specially to the subject of railway extension. He candidly admitted its importance to the efficacy of military, as well as commercial, movements; but he denounced, as “detestable and unsound,” the

doctrine that the weakness and poverty of our neighbours should be regarded as identified with prosperity to ourselves, and insisted that the true policy of England and Russia consisted in the interchange of goodwill and good offices. And this is the conviction which will prevail. Nothing more preposterous was ever advanced than the charge of "want of patriotism," which has been alleged against some of the most eminent of our mercantile men, on the score of their support of the Russian railway enterprise. I do not propose to discuss the public character of Lord Palmerston; but this much, at least, will be admitted, that his Lordship's predilections are scarcely of an "un-English" tendency. Lord Palmerston's language, then, as quoted above, might stand by itself as the appropriate reply to these absurd imputations. It is unnecessary to claim for the English co-operators in the enterprise any greater degree of disinterestedness than appertains generally to men of honour. The simple truth is, that in connecting themselves with the undertaking, they are not only consulting their own interests, and those of all who invest in it, but are collaterally, yet obviously and substantially, advancing objects nationally beneficial to ourselves. They are promoting that condition of international relations, moral and material, which has been justly described as mutually advantageous. In aiding the work of railway extension in Russia, they are, in effect, rendering good service to England. One palpable feature (amongst many) of such good service will consist in the effect of the railways in moderating the mischievous fluctuations of the price of corn in our markets, in rendering more plentiful the supply of vast quantities of raw produce of various kinds, indispensable to our manufacturers, and in giving employment to those sections of our industrial population engaged in the construction of locomotive engines, rails, carriages, &c., &c. I do not dwell upon the complaisance with which the Russo-phobists have regarded the investment of British capital in French lines, though it may certainly be affirmed, with no wish to excite jealousy towards France, that locomotion in that country is quite as conceivably connected with the possibility of proceedings offensive to us as locomotion in Russia can be, whilst no one can pretend that the rights of property rest on a less secure basis in Russia than in France. I propose not to institute invidious comparisons of this kind, but rather to consider, *per se*, the prudence and justifiableness of British investment in the Russian railways. And I do submit, as a proposition which cannot be rationally contradicted, that if it can be shown, as I undertake to show, that the financial prospects of such investment furnish, so far as the in-

terests of shareholders are concerned, a well-founded assurance of abundant profit, it is an enterprise not only justifiable, but emphatically commendable. It is one which removes the ban of isolation from Russia, and throws her open to friendly and civilising intercourse with the world. It is one which introduces her, more effectually than could be done by treaty or protocol, into the great comity of nations; and by making her practically acquainted with the blessings arising from industrial development, and from interchange of the products of such development, will afford a solid guarantee of the permanence of the peaceful and moderate dispositions which characterise the present Emperor. It is, in all respects, a good work—a laudable work—a work of beneficence to Russia, and of substantial utility to Europe generally—pre-eminently so to England, which, more than any other country, requires the commodities with which Russia can plentifully supply her, and which can purchase them with the products of her own skill and energy.

Let us collect, then, by reference to undisputed facts, materials for arriving at a correct decision as to the value of the concessions and privileges which have been granted to the Grand Russian Railway Company; the extent to which the undertaking is calculated to realise, in a public and private sense, the objects of the originators and contractors; the prospects of the whole enterprise, as respects the public interests of Russia and her neighbours and the private interests of those by whose capital the proposed system of railways is to be established. I beg the reader to accompany me patiently through a brief notice of the districts to be traversed, and the service to be effected, by the lines. I am much mistaken if, after weighing the facts adduced, he will not come to the conclusion that the Government guarantee is an arrangement which, whilst comfortable and satisfactory to the proprietary, may be regarded in the light of a security on security—superfluous security would, perhaps, be the more appropriate term; inasmuch as there exists not merely a probability, but a prospect partaking as much of certainty as any earthly prospect can, that the net profit arising from the traffic will not only greatly exceed the amount which would call the State contribution into requisition, but that as locomotion produces, in due time, its never-failing effect of developing production and facilitating intercourse—more especially in a country where such development and facilitation are the main things wanting—it will outrun the ratio which, in England, forms the maximum limit of interest that can be legally received by railway shareholders. It is a prospect, indeed, which can be contravened by

nothing short of some supernatural reversion of the laws of cause and consequence.*

CHAPTER II.

View of the Railway Territories—Natural Resources—Facility of Development—The Want—And the Method of Supplying it.

Instead of the lines running through sterile and desolate regions, "beginning nowhere and ending nowhere," their routes comprehend and connect the most important points in the most populous and wealthy portions of Russia, opening up the districts distinguished either by their productive capabilities, or (which is equally important to the locomotive traffic) by their large powers of consumption. The degree of candour—or, plainly speaking, of honesty—actuating certain hostile pseudo-criticisms, may be judged from the fact of their estimating the prospective traffic of the railways on the basis of the business movements of the empire, instead of regarding the traffic and resources of the particular regions embraced by the system. Such a criterion is about as consistent as if, in framing the revenue calculations of the railway from London to Birmingham, the promoters had been required to throw in, in the way of average, the traffic of the Scotch Highlands or of North Wales. It tasks charity to believe that an absurdity so gross was promulgated in sheer ignorance and thoughtlessness. But whatever may have been its motives, there can be no doubt that many persons unacquainted with the facts, and accustomed to rely somewhat too implicitly on the representations of some favourite newspaper, were deceived by the speciousness with which this and equally extravagant fallacies were propounded.

To come to particulars. The total length of the lines undertaken by the Company is 2,585 English miles. The works may be most conveniently classified into the five sections set forth in the Preliminary Memorandum. The short branch towards Königsberg requiring no separate notice, I begin with the line from St. Petersburg

* It will be seen further on that the Government guarantee is practically a guarantee of Seven or Eight per cent., instead of only Five per cent., on the capital which will be required.

to Warsaw. This, "with branches (to quote the official 'Statement') towards the Prussian frontier, in the direction of Königsberg, forms the line of communication between the capital of the empire and all Central and Western Europe; Vienna, Trieste, and Italy, by Warsaw and Berlin; Paris and London, by the Königsberg branch. It meets important masses of population on its route, following the track actually established by an active carrying trade." But this statement does not adequately represent the traffic resources of the line. It is justly remarked by the promoters, that "it will be the principal artery of the commerce of Russia with the rest of Europe," and that "this commerce, already considerable, must necessarily be largely developed, in consequence of this species of incorporation of Russia into the general system of European railways, from which she has hitherto been excluded."

It is right to observe here, that the policy, manifested by the present Government of Russia, of promoting friendly intercourse with other nations, must necessarily exercise an extensively beneficial influence on the revenue of the St. Petersburg and Warsaw trunk, and greatly enhance both the passenger and goods traffic along the line, whilst stimulating at the same time the internal communications—that is, the communications between point and point—along the line. As St. Petersburg and Riga are frozen in for more than six months in the year, and even during the mild season "the journey from St. Petersburg to Berlin occupies at least seven days by land, and three and a-half days by sea, whereas by the railway Berlin will be only thirty-six hours distant from St. Petersburg by direct trains, forming an economy of time of five days in winter and two in summer" ("Statement," p. 19), it is quite moderate to anticipate that the railway, exempt from interruption by stress of weather,* will possess the

* This is strictly true. The obstacles suggested by some parties as involved in accumulations of snow blocking up the lines have no existence save in the imaginations of these hypercritical gentlemen. The line from St. Petersburg to Moscow, passing through a country with a winter temperature several degrees colder than that of the St. Petersburg and Warsaw territory, is not interrupted, on the average, for more than one day annually. The interruption to be expected on the latter line may be represented as nearly as possible by *nil*, and the same may be said of the other lines, St. Petersburg being the extreme northerly point in the system. There is sound reason in the following suggestions:—

"One of the elements of success for the Russian railroad will arise from the severity of the climate. The cold never interferes with the traffic, and the snow has never caused any interruption to business on the line from St. Petersburg to Moscow but on an average of one day out of a twelvemonth. On the other hand, and as a contrast, the navigable channels are frozen in the north for six months, so that during that

virtual monopoly of the passenger traffic at all seasons, and during the winter it must command an absolute monopoly of conveyance traffic of every kind.

Much more might be said in illustration of the various and certain sources of large profit revenue possessed by this line; but I wish to be brief. An allusion, however, is due to the liberal spirit evinced by the Imperial Government in connection with the works already constructed. A short quotation from the official statement (*See Preliminary Memorandum*) will indicate my meaning:—

“Works to the value of £2,880,000, already executed on the St. Petersburg and Warsaw line, are given over to the company, which is only bound to reimburse that sum to the State by dividing with it the profits beyond five per cent. realised on that line, and no such deduction or division is to be made with regard to the other lines.”

A word of explanation here. The Government having expended, in round numbers, £3,000,000 sterling on these works, makes an absolute gift of them to the Company up to the point at which the net profit shall exceed five per cent., thus (leaving out of the question the general guarantee) giving a clear bonus of £150,000 per annum. It is only when the profit exceeds five per cent. that the State steps in, and then for no more than a moiety of the surplus *on this line alone*. The income of the other lines of the system is not interfered with, the State depending for reimbursal on its share of the surplus profit of the Warsaw line, so that, should the net revenue on the capital expended by Government be £300,000, the Company will take £225,000 for work on which it will not have spent a shilling, and the Government will take only £75,000.*

period the railway will have the monopoly of every description of conveyance, facilitated, likewise, by the use of sledges for branch intercourse.”

An intelligent writer in the *Paris Revue des Deux Mondes* remarks on this point:—

“But if ice interrupt the water-ways, will not snow interrupt the iron ways? Now, in the first place, this objection must be placed wholly out of consideration with respect to the southern sections of the system, which are no more liable to this inconvenience than the railways of our more temperate climates.
As to the central and northern lines, an idea may be formed from what has occurred on the St. Petersburg and Moscow line. In 1851 to 1856, the traffic on that line was suspended for three days.”

* It is characteristic of the species of antagonism which has been essayed against the enterprise, that even the liberality displayed by the Imperial authorities, such as the exemption from customs and other duties of all articles required for the construction and establishment of the railways, the free grant of any unoccupied Crown lands which may be required, &c., has actually been converted into a pretext for invidious animadversion. Any human being not immersed in the profoundest bathos of prejudice would discern, in such concessions, a sincere desire for the prosperity of an undertaking conducive to the true interests of Russia, and, in a secondary degree, to the interests of all countries with which she has intercourse.

So much with respect to the St. Petersburg and Warsaw line. Let us now consider the line from Kursk or Orel, situated in the centre of the agricultural districts, to Libau, the most westerly of the Russian Baltic ports.

The reader will bear in mind my observations on the difficulties arising from the ports of Riga and St. Petersburg being hemmed in for more than half the year by the inexorable barriers of climate. For nearly seven months out of twelve they are excluded (or, rather, *included*) from maritime commerce. Now, this grave objection does not apply to Libau, which, in addition to its superior geographical position to the West, possesses the paramount advantage of being ice-bound for only a month, or on very rare occasions, when the severity of the season is exceptional, for six weeks, instead of six months. One, though not the most important, effect of these advantages of Libau, is alluded to by the contractors—viz., the fact, well known to mercantile men, that “freight and insurance are 25 per cent. lower to Libau than to Riga, and 40 per cent. lower than to St. Petersburg.” But the incredible difficulties of internal transit—the “distances” so pathetically dwelt on by the late Emperor in conversations with the Marquis de Custine and other travellers—deprive Libau of much of the benefit which she would otherwise derive from her convenient position for trade with Europe and America, and, in combination with the semi-isolated predicament of St. Petersburg and Riga, reduce to a comparatively insignificant fraction the mighty and mutually profitable commerce which Russia might carry on through her Baltic sea-board. All these difficulties and drawbacks would disappear before the genial influence of that grand annihilator of impossibilities—the railway. The all-but virgin productive resources of the most fertile provinces of Russia, teeming with exhaustless elements of wealth, would no longer lie neglected for want of a remunerative market. The world would be their market, and the railway their highway thereto.

A practical example of the effect which would be produced by railways running to the seaboard, in modifying the irregularities and convulsive fluctuations of the corn trade, is contained in the document which I have already quoted, and from which I will here take the liberty of introducing another extract:—

“Matters are at present so arranged in Russia [in consequence of the tardiness of transit from the interior to the coast] that grain can only arrive at the ports of shipment in spring, and reach its destination in [Western] Europe shortly before—sometimes even after—the new harvest;—that is to say, at the time when prices are most uncertain, and trade is consequently subject to the most hazardous chances. Russia is, therefore, far from possessing that share in the supply of the markets of

Europe which the importance of her productive power should command. With her immense resources she could operate in a steady and natural way on prices, and forestal the alimentary crises of the West, whereas she acts now more especially as a granary of reserve when these crises arise. Hence the great fluctuations we note in the export of grain from Russia.

"Now the Koursk or Orel and Libau line would cause the produce of Russia to enter into the general and habitual system of alimentation of Western Europe. Let us examine, for instance, the consequence of the opening of this line as regards the supply of wheat to England, an article which she already receives largely from Russia.

"The quarter of wheat is sold in the markets of the fertile districts of Western Russia at the medium price of 18s. 6d. It will be admitted that it could be delivered at the principal stations on the line at 23s. 8d., including the incidental expenses and the carriage [to the local stations] for an average distance of sixty-two miles. The carriage from Koursk, the centre of the producing district, to Libau, by railway, would be about six-tenths of a penny per ton per verst for 1,150 versts, or about £2 15s. per ton, and about 12s. 9d. per quarter. The freight from Libau to London would vary between 5s. 9d. and 9s. 3d. per quarter, and, taking this last price, it will be seen that the cost of corn in London, carried by the railway from the region of the "black earth," and shipped from Libau, would be about 45s. per quarter. The usual price at London being from 46s. 6d. to 58s. the quarter, the influence that the opening of the Koursk and Libau railway would have on the English corn market is apparent, nor would that effect be less, directly or indirectly, on the other markets of Europe.

"Similar calculations may be applied to the other exports of Russia, and it is easy to see that the line to which we refer will render service not less important as regards the importation into Russia of the merchandise, raw materials, and products of all kinds supplied by Europe."—"Statement," pp. 20, 21.

To these and similar considerations, including the relief of St. Petersburg, by means of a branch connecting it with Libau, from its winter isolation,

"There must be added," continues the writer, "those having reference to the services which the line from Koursk or Orel to Libau is destined to render as regards provisioning the districts which it traverses, especially the governments of Mohilew, Vitepsk, Pskof, St. Petersburg, and Wilna. It should also be considered what will be the effect of the railway as regards the utilisation of the vast forests, deficient hitherto of means of transport, and the produce of which, borne by the railway, will compensate for those situated in or near navigable streams, and which have hitherto supplied the wants of the export and internal trade. It is, however, unnecessary to enter into details respecting the interior services this railway could render, since their importance will be at once manifest."

But manifest as it may be, a few remarks, exhibiting some of the anomalies caused by the absence of effectual means of internal transit, may not be uninteresting. The contrasts, for example, presented in prices ruling simultaneously in different districts are instructive:—Thus (Statement, p. 11), "in 1845 the quarter of rye cost 46s. 7d. in the government of Pskof, and 7s. only in that of Orel." Again, it appears that "in the centre of the empire the landowners *think themselves* fortunate if they sell their rye at from 5s. to 6s. the

quarter, and the price is often under 4s., whilst it is from 16s. to 18s. in those parts of Germany which draw their supplies from Russia." "In the government of Vitepsk, the price of rye rarely falls below 23s. the quarter, while it is sold retail, in the form of flour, in the government of Koursk, at one-fifth of that price, the distance being from 370 to 430 miles." And "in 1843 a scarcity of grain existed in the northern governments, especially in Esthonia, and the Emperor authorised the importation of foreign corn, while rye was selling at 6s. per quarter in the south of the empire." The significant summary of this state of things is couched in the following terms :—"Such is the difficulty of transport in the interior, that while the south may be considered as constantly possessing abundance, and even superfluity, there is always a scarcity, and sometimes a famine, in the northern governments."

These anomalies are referable to one sole cause—absence of efficient transit ; the supply of which would create a local traffic from point to point not less useful and profitable than the impulse which it would impart to the export and import trade. When it is considered that in a country where money prices range so low as in Russia, the cost of carriage by sledge (the only available means in winter, when the rivers and canals are hermetically sealed) is, in ordinary seasons, from three-pence to fourpence a ton per mile, and sometimes rises to an indefinitely exorbitant height, the mind pleasurably contemplates the salutary change to be effected by the introduction of the rail. But instances in point may be multiplied *ad infinitum*. Thus ("Statement," p. 12), in reference to the means of transport to the southern sea-board :—

"The wheat which comes to Odessa from the Polish provinces and from Podolia is, to a great extent, brought by little carts of the most primitive construction. They are drawn by a pair of oxen, and contain from eight to ten sacks of corn, or about three and a half quarters. During the first months of export hundreds of these carts arrive daily at Odessa, after a long and difficult journey, varying from six weeks to three months, and sometimes even longer. It is therefore easy to account for the fact that corn delivered in Poland at from 4s. 8d. to 7s. the quarter, costs 23s. 6d., 25s., 35s., and in years of scarcity even 42s., in the market of Odessa."

This last paragraph has more immediate reference to the work to be done by the line from Moscow to Theodosia (Kaffa) ; but its conclusions are equally applicable to the Koursk and Libau line, as to the necessity for which, such facts as the following speak for themselves :—

"It requires several months to bring up the products of the south to St. Petersburg by the Volga and the canals ; and when these products are required for shipment they often arrive too late to be despatched to their ultimate destination. In 1847, for

instance, numerous purchases of grain for foreign account could not be delivered at St. Petersburg until too late to be available. An analogous circumstance occurred in 1852. The want of water in the rivers and canals retarded the arrivals, and the first vessels entered at St. Petersburg at the end of May were obliged to leave in ballast before business could attain its customary activity."

These occurrences are truly described as indicating "the immense influence that must be exercised on the transactions of the country by the establishment of a railway towards the Baltic coast."

The next principal branch to which special reference is desirable, is the line from Moscow to Theodosia, or Kaffa. The name of this town, which possesses the best, most capacious, and most accessible harbour on the Black Sea, became familiar to English ears during the late war. It is eminently adapted for a large export and import trade, and satisfactory reasons are given for selecting it in preference to Odessa as the terminus of the southern branch. These reasons are based not only on its local position and superior accommodation for shipping, but on a comparison of the districts to be traversed—an important consideration being that the route to Theodosia will touch the vast cattle produce of the steppes of the Don. I beg attention to the following paragraphs ("Statement," pp. 22-3):—

"This line brings the centre and north of Russia into communication with the Black Sea. It runs for nearly 435 miles through the 'black earth,' and will draw from thence the principal elements of its grain traffic—the most important of the entire network—having to furnish corn to the northern and central provinces, and to the Baltic and Black Sea for exportation. At Kharkoff it is in contact with the coal basin of the Donetz, of an important extent and richness, and the products of which go northward to supply the manufactories of Moscow, and southward to compensate for the deficiency of vegetable fuel as far as the Dnieper, while at Theodosia they will be required for the purposes of navigation.

"On this line will be concentrated the commercial intercourse between Moscow and the centre, and the shores of the Black Sea and Mediterranean. In exchange for corn delivered for export it will carry the cattle from the great steppes of the Don towards the north, and even to St. Petersburg. It was necessary to choose between Odessa and Theodosia (Kaffa) as a terminus of this line on the Black Sea; and after a careful examination the latter port was selected. Nature has made it the best harbour on the Black Sea; it possesses a considerable depth of water, and a freedom of access in the prevailing winds. It can be moreover adapted to the exigencies of the largest trade. The maritime communication with Odessa is easy by the Dnieper; the line touches the coal basin of the Donetz, and it is placed on an elevated plateau, where the facilities of construction are exceptional; whereas, a line towards Odessa would have presented numberless difficulties, and could neither have been connected with the Donetz nor with Theodosia.

"The southern line finds, moreover, on the shores of the Sea of Azoff and in the Crimea, two special elements of traffic which are wanting at Odessa, and which are very

important inasmuch as they furnish return loads. These are the salt of the Guenitchi salt marshes and the fruit and wine of the Crimea. The amount of return traffic which the line will gain is estimated at 300,000 tons. The condition of Odessa will not be sensibly modified by the establishment of a great port at Theodosia. Its relations are local, and its trade is based on the exports of Polish and Bessarabian grain. The new traffic created by the execution of a southern railway will necessarily seek in a fresh port that space which Odessa cannot furnish. The governments of Toula, Orel, Koursk, and Kharkoff, traversed by this line, are amongst the most populous of the empire. They occupy the centre of the great agricultural district. Toula, Koursk, and Kharkoff are moreover manufacturing cities—224 factories, employing 9,000 workmen, existing at Kharkoff alone.

"The [southern] railway, then, will carry towards Moscow and the north the produce of the south—such as grain, hemp, flax, cattle, tallow, wool, salt, salt provisions, wines and fruit. It will distribute along its track coal and anthracite, drawn not only from the environs of Kharkoff and the Donetz, but from the known deposits in the governments of Moscow, Tver, and Kalouga. It will supply the manufactories along the line with raw materials, especially iron, copper, and other metals brought from Siberia by the rivers, and by the Nijni Railway. Lastly, it will bring timber and fine woods, and the materials and products of the Caucasus, carrying back in exchange Russian goods destined for export. Moreover, by the facility and continuity of its communications with the producing districts, it can share in the export trade of grain destined for Southern Europe, and the warehouses of Marseilles, Genoa, and Trieste."

The foregoing references to the business to be carried on, and the results to be accomplished, by the three longest of the lines undertaken by the Company, will assist readers of intelligence in forming their conclusions as to the actual character of the enterprise, viewed as a channel for the investment of capital. There remains to be considered the comparatively short branch between Moscow and Nijni-Novgorod, the site of the world-renowned fair. The explanation given upon this point in the "Statement" already quoted, is so clear and intelligible, and—as is the case throughout with the document in question—so fortified by data accessible to every one, that I shall insert it in *globo* :—

"The line from Moscow to Nijni-Novgorod might be looked upon as the best of the network, were it not that the transversal line from the Baltic to the Black Sea is destined to create an export trade of incalculable extent. It terminates on the Volga, which now communicates with Moscow only by means of a long and difficult navigation by the Oka, and its unimportant affluent the Moskwa. The ascent of these rivers requires *two months and a half*, whereas *the 249 miles of railway will be traversed in a few hours*, and at a lower cost than by water communication. It is the navigation of the Volga which gives to Nijni-Novgorod its importance and celebrity. The fair which is held there annually lasts three months, and attracts a vast amount of goods and traders. It is this navigation which henceforward, by means of the railway, will carry to Moscow the produce of the metalliferous region situated on the western slope of the *Oural*, the merchandise of Asia, the salted provisions of the Caspian, the cattle

and grain of the intermediate districts—all, in fact, that may be derivable from a coasting trade of 1,900 miles in extent, and which can only serve as a feeder to the railway, and not as a rival mode of transport.

"The whole region comprised between Moscow and Nijni is essentially manufacturing, and will furnish a large goods and passenger traffic. Nijni-Novgorod itself has an important position in an industrial point of view. It possesses foundries where steam-engines are manufactured, and where the numerous steamboats which now navigate the Volga, the Kama, and the Oka, are constructed."

A glance at any good modern gazetteer or descriptive atlas will show the accuracy of the above description. I may here observe, with respect to the quotations from the official statement, that I have taken some pains to test their exactitude on several points, and, after no slovenly investigation, I have found them in every important instance confirmed by the result of my own inquiries. A pervading characteristic of the plans I have ascertained to be, not merely a prospective, but an actually existent and pressing want of locomotive facilities in the several territories. The routes have evidently been decided on with a careful regard to the natural courses of traffic, and to the circumstances which ensure active internal communication by means of the railway, as well as the monopoly (in the only unobjectionable sense of that term) of the carrying business connected with the foreign trade of the northern and southern sea-boards.

There exists, then, as has just been remarked, the present and pressing demand, consisting in the impossibility of maintaining, without locomotive facilities, the natural process of interchange and intercourse between regions so distant and so various in their products and necessities, and in the not less obvious impossibility of feeding the vast foreign commerce for which the wants and capabilities of Russia equally qualify her.* These circumstances furnish a certainty

* (Statement, p. 14.) "The fertile district of the 'black earth,' called, with justice, the granary of Russia, and which is, moreover, in all alimentary crises, the granary of Europe, is provided, in the network conceded to the Company, with a triple railway communication, diverging towards the Baltic, the Black Sea, Moscow, and by Moscow towards St. Petersburg.

"The necessary consequence of such a new stimulus will be the increase of production. The labourer or proprietor of 'the black earth' has no motive for agricultural improvements. His ordinary condition is a surplus of produce, and a difficulty of getting rid of that with which his granaries and stores are encumbered. This difficulty at an end, improved modes of tillage, (now unknown in central Russia, will follow closely, and will unite with the fertility of the soil in increasing the harvest, the destination of which will no longer be uncertain, nor its distribution costly."

The want of access to markets has produced in Russia the same effects as in all countries where it has existed—prominent amongst them being the neglect, or only very imperfect cultivation, of natural resources. Thus, notwithstanding the superiority of the soil of the Russian agricultural districts to that of France or England the yield per acre is less than half the French average, whilst the deficit, as compared with England, is still more striking. There is ample ground for computing that when the want is supplied and the necessary encouragement thereby afforded to the agriculturist, the present yield will be nearly doubled—in short, in the words of M. Tego-borski, 'That the Russian commerce in grain might, if necessary, and within a

of remunerative revenue. But when the view is extended—when the future is looked into—when the dormant resources of the regions to be traversed are considered in connection with the unvarying efficacy of railways in stimulating (by rewarding) industry and enterprise, educating and utilising the elements of trade and wealth—there opens a vista of redundant prosperity rarely equalled in the annals of successful enterprise, and which, in this instance, is the more trustworthy, because its sources are tangible, self-evident, and indisputable.

CHAPTER III.

Calculations of Cost, Revenue, and Profit—Prospects for Shareholders—Considerations for Russia, for Europe, for England—Conclusion.

AMONGST the facts which bespeak confidence in the prospects of the Grand Russian Railway Company, and in the calculations on

moderate period, be carried to ten times the mean quantities recently exported, and the whole of the countries of Europe whose ordinary harvests do not suffice for their consumption might be supplied, if the outlets were sufficiently extensive and certain to induce the landowners to give greater attention to the growth of corn and to the preservation of the harvests of abundant years. But that, also, depends greatly on improved means of internal communication.'

To be sure it does;—and those improved means it is the business of the Company to furnish, to the great benefit of the shareholding proprietary, still more so to that of Russia, and to the very considerable advantage of other countries, though it is quite possible that an operation regularising supply and prices, minimising the margin of fluctuations, and consequently diminishing the area of speculation, may not be agreeable to a class of adventurous gentlemen whom it is not necessary to specify.

With respect to other commodities besides corn, the want of quick and economical conveyance exercises equally injurious effects, the ratio of production being kept down by the difficulty, tediousness, and costliness of transport in the interior. From a table before me, I find that, in the year 1853, of the total imports into England and France of six important articles extensively grown in Russia, the proportion furnished by the latter country was only one-fourth, although she can produce them more cheaply, and, if she had easy means of access to the sea-board, could export on much lower terms than her competitors. The chief of these competitors (the United States) has long since enjoyed the advantage of superior communication by land and water with seaports, and, consequently, could not afford the extensive abatements of price to the foreign purchaser which Russia could at once make if she only possessed railways to bring her produce at moderate cost to the sea. It may be fairly expected that when the railway system is in operation Russia will supply the English and French markets with not merely a fourth, but with the major part of the commodities in question.

which its financial programme is based, is the evident determination of the contractors that the estimates of cost should be beyond what will be really required, and the estimates of revenue as much within what may be confidently expected. This policy may, at a first glance, cause the enterprise to appear less tempting; but, after all, it is a wise as well as honourable policy, tending, more than highly-coloured representations, to win esteem and ensure support.

Lucubrating on the item of cost, some of the enemies of the undertaking have asked, "What assurance is there that these estimates will not be exceeded? Are there any data that the cost will not amount to a larger sum than that to which the Government guarantee applies?" The answer is, that the data are patent to the world, and prove, with the completeness of a mathematical demonstration, not only that the estimates cannot be exceeded, but that the outlay cannot reach, by an extensive margin, the amount of the guaranteed capital.

This is easily shown. The cost of construction and establishment has been taken, on an average of all the lines, at £17,226 per mile. Now, in judging as to the deficiency, the sufficiency, or the excess of this estimate, it will be convenient to refer to the mileage outlay in other countries. England, where, from a variety of causes which do not exist in Russia, the expenses were wantonly exorbitant, and where nearly all the lines are double,* must, of course, be excepted from the comparison; and the same remark, though in a less degree, might apply to France.

Well, the cost per mile of the Prussian railways has been £13,348;† of those of Germany, exclusive of Prussia, £14,870; of the principal and most expensive lines of the United States, £13,092;‡ of the Canadian lines, including the costly bridge across the St. Lawrence, £11,205. Even in France, where expenses of all kinds range so much higher than in Eastern Europe, we are informed, by official documents, published under the authority of the Minister of Public Works, that "on comparing the mean costs of establishing a railway for a single track, the land purchased and the engineering works being calculated for a double line, a total

* The Russian lines will be single, the engineering works only for a double rail being executed by the Company.

† The cost of the Prussian lines running from Berlin towards Poland presents a more appropriate criterion of comparison with the Russian system. It is as follows:—From Berlin to Breslau, £12,908 per mile; from Berlin to Stettin, £9,608; from Stettin to Posen, £7,604; Königsberg and Dantzic, £8,836.

‡ Including less costly lines, the average for the United States would be £10,34' per mile.

expenditure [supposing compensation for land at the rate of £1,977* per mile] of £14,672 per mile is arrived at."

Now, compare these ascertained results with the estimate of £17,266 per mile for the Russian lines, and take into view the circumstances modifying the expenditure necessary for the latter. In other European countries, the purchase of land forms a considerable item of expenditure; in Russia it is literally insignificant,—the average for all the lines will be certainly under £100 per mile, and the Company receives the free gift of all the unoccupied Crown lands which it may require, and through which the lines will pass in several districts. The works of engineering and construction will be less arduous than in most countries; for instance, there is no such thing as a tunnel in the whole system. The materials required to be imported enter duty free. Profuse outlays on gorgeous stations and architectural decorations will be avoided, and altogether the expenditure will be on a lower scale than has ruled elsewhere, utility rather than show being consulted, and the experience furnished by the career of railway extension elsewhere enabling the constructors to draw the due distinction between the useful and the showy.

Here, then, is proof irrefragable that not only do the estimates for the Russian Railways cover every possible outlay, but that they exceed very largely—probably by several thousands of pounds sterling per mile—the uttermost limit of conceivable expenditure, including the interest to be paid to the shareholders during the progress of the works. This is a point not belonging to the realm of discussion; it is a simple, self-demonstrative truism, leaving no room for question or cavil. In fact, the contractors may be described as having taken care to keep themselves far, very far, within the line of impregnable safety.

The next important subject of consideration turns on the probable revenue of the lines. This, of course, must be, to some extent, matter of conjecture. There exist data which render it certain that the revenue will be very large; but as the capabilities of development and increase, when industry discovers that it can reckon on an adequate reward, are virtually unlimited, practical trial alone can furnish definite results. Meanwhile, a reference to facts already known will be useful. The reader will bear in mind that, throughout a great part of Russia, commerce dependent on transit is almost suspended for six months every year, the rivers and canals being frozen, and sledging impracticably costly. Notwithstanding this drawback, such are the counterbalancing productive and commercial capacities

* In Russia the compensation per mile would be less than 1-20th of this.

of the country that (Statement, p. 29) "its external commerce represents a movement of more than two millions of tons, and its internal circulation is immense."*

Now, the disadvantages involved in the costly tediousness of transit will be at once swept away by the agency of locomotion. The northern and southern coasts of Russia, with the vast and varied interjacent regions, will be brought into economical and expeditious intercommunication. The lines will present an uninterrupted scene of prosperous activity. The people in the northern districts will no longer be famishing whilst corn rots on the far-off fields of the south, for the produce peculiar to each region will be conveyed quickly to meet the requirements of every other one; production of all kinds will be vastly augmented, and find vent as well in administering to home wants as in the distribution of an enormous surplus over the markets of Europe by the Black Sea on the south, the Baltic on the north, and Warsaw on the west. "Moscow will (in the vigorous but moderate language of the "Statement") be connected with Southern Russia and the Volga; St. Petersburg placed at twenty hours from the network of German railways, from which it is now separated by a land journey of five or seven days, or a sea voyage [when the sea is accessible] of at least three; and the regular, rapid, and continuous movement of business will be secured to this immense territory, where it is now stopped during the half of the year." When the sparseness of population in the Russian dominions is talked of, it should be remembered that that characteristic does not apply to the territories through which the railway will pass. The network includes the choicest of the most populous and productive districts in the empire, where the passenger traffic would be considerable, and the goods traffic prodigious. Now, the receipts on passenger traffic on all the French lines averaged, in 1854, £1,522 per mile; some of these lines being unproductive branches running through poor and thinly-peopled districts. The Russian lines, on the contrary, will be the principal arteries of a great system of conveyance, traversing chosen districts, and fed by extensive and fertile regions;—

* The "Statement" gives an example of the activity of internal circulation during the season when transit on a large scale is practicable (the railway, by the bye, would render it practicable in *all* seasons). It appears that "on the 1st (13th) of September, the port of Rybinsk on the Volga, at the union of the canals which connect that river with St. Petersburg, reckoned already, since the opening of the season, 3,445 arrivals and 7,410 departures, and that the total value of its trade was estimated at £8,160,000." These facts are instructive, considering the pictures of howling desolation which we sometimes see drawn, as representing the condition of the Russian interior.

yet the estimate of passenger traffic on them has been taken at only £715 per mile—less than half that realised on the French system. It will scarcely be denied that this estimate is moderate indeed.

The goods traffic, which will no doubt constitute the chief source of revenue, has been estimated on a basis which—seeing that each ton of merchandise would travel on the Russian lines at least five times the distance averaged on the French—supposes that the number of tons conveyed on the Russian lines will be only two-fifths of that conveyed in 1854 by the French lines. Now, this estimate is evidently very much below what may be expected. The quantities of produce of various kinds—corn, cattle, salted provisions, manufactures, metallic substances, salt,* coal, tallow, hemp, timber, &c., &c.,—attracted to the Russian lines for distribution at different points in the interior, and for export to foreign countries, must indicate a larger rather than a smaller traffic than in France, where each district is comparatively self-supporting, and where no such mighty surpluses of produce are available for foreign trade. In fact (as is well put by the “Statement”), “the carriage in Russia of the article of corn alone, for distribution in the interior, and for export, constitutes an element of traffic unequalled in any other country.” It is plain that, with respect to the goods traffic, the Company would have been justified in adopting a much higher basis of calculation.

* With respect to the article of salt, a telling illustration of the difficulty of compassing “the distances” is given in the prospectus :—

“The importation of salt into Russia was not less than 137,000 tons in 1853, and this is another proof of the extreme difficulty of transport in that country, for there are few richer in salt-springs. M. Tegoborski estimates their produce at 472,500 tons; but it must be added, that a great number of salt-springs remain unworked, or could find no outlet for their consumption, in consequence of their *distance* from the places of consumption. It is known that they are principally situated in Bessarabia, the Crimea, and the Governments of Saratof, Perm, Astrakan, and Orenburg.”

Again, the distances—the insuperable impossibilities of transport!—impossibilities which the railway alone can solve, one inevitable effect of such solution being to impart to the natural resources and to the internal, as well as external, communications of Russia, a far greater ratio of development than the introduction of locomotion has achieved, or could achieve, for other European countries. And the reason is obvious—England, France, and Germany possessed regular systems of roads, with assiduous cultivation of agricultural, mineral, and manufacturing resources, before they had railways. There was, consequently, in these countries no margin for such a degree of commercial and reproductive increment as in Russia, which may be said in general to possess nothing deserving the name of roads (save the rivers and canals, mostly ice-bound for half the year); and where, from the consequent inaccessibility of markets, the elements of boundless wealth remain uncultivated.

As to working expenses, they average in Prussia a fraction under 50 per cent. of the gross receipts. But then many of the Prussian lines are short, they are much interrupted, and the cost of working is thus increased, and on some of them the gross receipts are very small, ranging as low as £400 per mile. In Russia, on the contrary, the lines pass through choice districts; they will not be interrupted like the Prussian lines, and the distances traversed by goods will be considerable, thus diminishing the proportionate ratio of expenditure. The cost of fuel, and of ordinary labour, too, is very low. Under these circumstances, the allowance, for working expenses, of 45 per cent. of the gross revenue appears amply sufficient to cover all conceivable contingencies.*

Taking the gross receipts for merchandise, cattle, &c., at £2,218 per mile, and for passenger and fast goods at £715 per mile, or a total of £2,928 per mile, the income on 2,586 miles would be £7,573,831; deduct working expenses (45 per cent.), £3,408,224: net profit, £4,165,607.

As the total cost of construction (excluding the amount already expended by Government on the St. Petersburg and Warsaw line) will be £42,666,000 in round numbers, an interest-dividend at the rate of $9\frac{3}{4}$ per cent. results from the net revenue of £4,165,607.

Those, however, who have resided or travelled much in Russia—who are acquainted with the amazing fertility of districts which the railways will pervade for many hundreds of miles, and with the variety and abundance of valuable commodities—independent of the inexhaustible staple, grain—which a very minute application of scientific industry would draw freely from the teeming soil—whose knowledge of the country enables them to appreciate the judiciousness of design by which the lines are carried through the particular territories where traffic and business movement, capable of immense development, must always be most active†—who have ascertained, by a process of examination similar to that sketched in the foregoing pages, that the estimates for expenditure are greatly in excess, whilst those for revenue are positively inadequate, do not limit their expectations to $9\frac{3}{4}$ per cent. per annum as the profit-interest on

* The ratio of working expenses on the French lines is much less than this.

† The sound judgment with which the routes have been selected is well attested by the fact, that of the unusually large total (£40,000,000) representing the external commerce of the empire in the year immediately preceding the late war, "about £36,800,000 belonged to the regions of the railway. The remaining £3,200,000 belonged to the transactions effected by the Asiatic frontier."—See Statement, p. 13.

the capital. Their expectations go much higher, and justly and reasonably so. They foresee, in the prodigious powers which access to foreign and domestic markets will call into activity, a field of development transcending all examples drawn from the effect of railways in countries where, previous to their introduction, the means of transit and industrial effort had already been highly organised, and where, consequently, there was not scope for the manifold increase which is the evident destiny of the vast and virgin plains comprehended in the Russian railway territory. They see how plainly Nature indicates these regions as the chief granary for supplying the less fertile provinces of the empire, as well as several foreign countries, with articles of prime necessity in which Russia is pre-eminently fruitful. In the interchange of these articles for the manufactured and other products of the West; in the conveyance not only of merchandise, but of the numerous persons attracted to Russia by the increase of friendly intercourse with Europe and America, and of those engaged in carrying on the transactions of trade, they discern secure sources of profit-revenue, vastly exceeding the modest limit to which the expectation of investors is directed.

The observation in a preceding page, that the Government guarantee on a fixed allowance of expenditure per mile is to be regarded rather in the light of a supererogative security, has reference to the substantial certainty that as the lines get into operation the net profit realised from traffic will render the Government contribution inoperative because unnecessary. It should, however, be understood that the guarantee in question really secures a much higher rate of interest than Five per cent. on the amount of capital which will be called up. The guarantee is fixed on a calculated cost of £17,226 per mile. Now the fact is, that by no possibility can the cost reach that sum. I have adduced unquestionable data for believing that it will not exceed a medium of, say £11,000 per mile. The guarantee, however, applies to a capital assuming the higher expenditure, and the sum of interest to be paid by Government amounts to Five per cent. upon that estimate. But if the expenditure, instead of being £42,000,000 or £44,000,000, should be, as there can be no rational doubt that it will be, considerably below £30,000,000, the guarantee enjoyed by the proprietary rises in value in proportion to the difference between the estimated and actual expenditure, ranging, in fact, to from Seven to Eight, instead of only Five per cent.

This guarantee the shareholders enjoy as a reserve security, certainly forthcoming under all possible circumstances, though (as has been sufficiently explained) not at all likely to be called for after the lines are in full operation, inasmuch as the earnings will produce a

higher net revenue. The excellent terms thus secured by the contractors are not to be ascribed to any undue anxiety to drive what is termed a hard bargain. They were, of course, quite determined—and, as prudent men of business, very properly so—to make the investment a safe and lucrative one. This determination they, doubtless, frankly avowed in their negotiations with the Russian authorities; and I have reason to believe that, in the fulfilment of their determination, they were met half-way by the Government, which, aware of the vast importance and usefulness of the undertaking, adopted the wise policy of dealing in a generous spirit with those by whom it was to be carried out.

Thus, in every possible point of view from which it can be considered, the position of the private investors in this undertaking is as safe as it is honourable. It combines the certainty of an unusually high range of profit with the not unsatisfactory reflection that this profit is obtained by means conducive to our own interests as well as to the interests of Russia, and to pacific and friendly relations between Eastern and Western Europe.

Now, can blame be fairly imputed to Englishmen who, knowing these facts, and appreciating, in consequence of their knowledge, the magnificent prospects of an enterprise tending so manifestly to the benefit of all connected, directly or indirectly, with it—an enterprise which may be truly designated a noble work of human good—interest themselves in its success, and invite their countrymen to co-operate in promoting it? As unfavourable imputations cannot be uttered with truth and reason, they have been concocted on pretences which go through all the moods and tenses of falsehood. To give a few examples: it has been asserted that the Sinking Fund deduction from the Government guarantee is to be 1 per cent., leaving only 4 per cent. as the interest guaranteed to shareholders, whereas that deduction is just *one-twelfth* (or 1s. 8d.) per cent. Then the public has been called on to beware of “forfeiture,” for that if any casualty, even the calamity of war, should preclude completion of the lines by the dates fixed, the Government would step in and seize, without compensation, all the works and property of the Company, to the utter ruin of the hapless contributories. All this, again, is pure, or rather very impure and discreditable invention. The Company is expressly protected against any such spoliation—indeed, the clauses of the concession evidence the liberality, considerateness, and avoidance of “trap” or subterfuge, which, as even the political opponents of the Russian Government have always admitted, honourably characterise

the spirit of its dealings with persons who embark capital in reliance on its good faith. Another alarmist outcry has been got up about the imprudence of trusting to "the representations of Muscovite engineers." This clamour has just as much, and as little, ground as the others. It so happens that the Company's calculations are founded mainly on specific investigations instituted not by Russian but by foreign engineers—its own officers—men of great experience and acknowledged reputation.

But it is unnecessary to go through a categorical refutation of fallacies, the flimsiness of which proves the absence of any substantial pretence for impugning the character of the undertaking. I have, I trust, sufficiently demonstrated the strong and indefeasible nature of its claims to confidence and support, and I do earnestly trust that the blatant absurdities which have been indulged in by persons absolutely ignorant, or intentionally forgetful, of the true state of the case, will not prevent the people of this country from taking their share in the benefits of an enterprise than which the century has not produced one more entitled to approval on grounds social, political, commercial, and financial—on grounds identified with the best interests of humanity, and with the spread of amicable, civilising, and mutually serviceable intercourse between nations.

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WHAT KIND OF
HORSESHIT IS
THIS?





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